

**DELAWARE HOUSING PARTNERSHIP, INC.
DOVER, DELAWARE**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2010 AND 2009

DELAWARE HOUSING PARTNERSHIP, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 9
SUPPLEMENTAL INFORMATION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10-11

INDEPENDENT AUDITOR'S REPORT

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September 10, 2010

Board of Directors
Delaware Housing Partnership, Inc.
Dover, Delaware

We have audited the accompanying statements of financial position of Delaware Housing Partnership, Inc. (a non-profit corporation) as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Housing Partnership, Inc. as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2010 on our consideration of Delaware Housing Partnership, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

DELAWARE HOUSING PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 284,571	\$ 233,835
Other Receivables	-	10,544
Total Current Assets	<u>284,571</u>	<u>244,379</u>
NONCURRENT ASSETS:		
Mortgages and Accrued Interest Receivable (net of allowance of \$13,132 and \$13,305 for 2010 and 2009, respectively)	<u>643,434</u>	<u>651,933</u>
TOTAL ASSETS	<u>\$ 928,005</u>	<u>\$ 896,312</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 109,323	\$ 117,263
TOTAL LIABILITIES	<u>109,323</u>	<u>117,263</u>
NET ASSETS		
Unrestricted	<u>818,682</u>	<u>779,049</u>
TOTAL NET ASSETS	<u>818,682</u>	<u>779,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 928,005</u>	<u>\$ 896,312</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Grants and Contributions	\$ 60,000	\$ 410,296
Interest on Investments	2,690	12,325
Interest on Loans	36,431	81,809
Other Revenue	<u>7,336</u>	<u>173,944</u>
TOTAL REVENUES	<u>106,457</u>	<u>678,374</u>
EXPENSES		
Professional Fees	6,824	12,030
Grant Expense	-	9,027,062
Management fees	<u>60,000</u>	<u>60,000</u>
TOTAL EXPENSES	<u>66,824</u>	<u>9,099,092</u>
CHANGE IN NET ASSETS	39,633	(8,420,718)
NET ASSETS, BEGINNING OF YEAR	<u>779,049</u>	<u>9,199,767</u>
NET ASSETS, END OF YEAR	<u><u>\$ 818,682</u></u>	<u><u>\$ 779,049</u></u>

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 39,633	\$ (8,420,718)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfer of loans to the Delaware State Housing Authority	-	9,027,062
(Allowance adjustment) bad debt expense	(173)	(158,944)
Decrease (Increase) in other receivables	10,544	(10,544)
(Increase) in interest receivable	(30,188)	(70,781)
(Decrease) Increase in accounts payable	(7,940)	110,714
Total Adjustments	(27,757)	8,897,507
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,876	476,789
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgages disbursed	-	(1,908,099)
Mortgage principal payments received	38,860	51,821
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	38,860	(1,856,278)
NET INCREASE (DECREASE) IN CASH	50,736	(1,379,489)
CASH, BEGINNING OF THE YEAR	233,835	1,613,324
CASH, END OF THE YEAR	\$ 284,571	\$ 233,835
SUPPLEMENTAL DISCLOSURES:		
Taxes paid during the year	\$ -	\$ -
Interest paid during the year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A ORGANIZATION

The Delaware Housing Partnership, Inc. (the Corporation) was incorporated December 22, 1992 as a non-stock corporation under the laws of the State of Delaware. The purpose of the Corporation is to promote the public welfare of the citizens of the State of Delaware by promoting and furthering, in any way consistent with its public welfare purposes, the enhancement and development of decent, safe and sanitary housing for persons and families of low and moderate income. It is governed by a Board of Directors, three appointed by State and New Castle County officials, three representing business interests and three at large.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Corporation are prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations (formerly SFAS No. 117), the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

Income Tax Status

No provision has been made for income taxes since the Corporation qualifies as a tax-exempt corporation under the Internal Revenue Code 501(c)(3), and its activities do not result in any income tax liability. In accordance with the section of the FASB ASC regarding accounting for uncertainty in income taxes, the Corporation is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will be sustained upon examination. The Corporation has no uncertain tax positions that qualify for recognition in the financial statements.

Mortgages Receivable

The Corporation provides funds to modest income families under the Delaware Housing Partnership Second Mortgage Assistance Loan Program. The funds are used to help cover down payment and closing costs through a second mortgage.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

The principal and interest payments on the mortgages may be deferred until the first mortgage has been paid. Interest accrues on the loans at a rate of six percent.

Mortgage receivables are valued at net realizable value. The allowance for uncollectible accounts is based on historical loss levels and an analysis of individual accounts. Mortgages are charged off against the allowance once the property is in foreclosure.

Cash and Cash Equivalents

As of June 30, 2010 the Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits and investments held by Wilmington Trust. As of June 30, 2009 the Corporation's cash and cash equivalents were considered to be cash on hand, demand deposits and investments held by the Treasurer of the State of Delaware.

Investments held for the Corporation by the Treasurer of the State of Delaware are maintained in a common pool of funds for all participating state agencies and associated nonprofit associations. The pool is comprised of four categories of investments although a detailed accounting by category is not maintained for each depositor. Only the total invested for each depositor is made available on a periodic basis.

The Corporation's funds are maintained in the following four pools:

- (1) Cash Account
Objective - Liquidity
Maturity - Maximum maturity is one year.
- (2) Liquidity Account
Objective - Maximum yield and maintain safety of principal
Maturity - Maximum maturity is two years.
- (3) Reserve Cash (Intermediate) Account
Objective - Maximum yield and maintain safety of principal
Maturity - Maximum maturity is five years.
- (4) Endowment Accounts
Objective - To provide a long-term funding source
Maturity - Maximum maturity is 10 years.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (contd.)

The permissible types of investments for all of these pools are as follows:

- U.S. Government securities
- Government agency securities
- Certificates of deposit, time deposits and bankers acceptance
- Corporate debt instruments
- Repurchase agreements
- Reverse repurchase agreements
- Money market funds
- Canadian treasury bills
- Canadian agency securities

Contributions

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding accounting for contributions received and contributions made (formerly SFAS No. 116), contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Expenses

The Corporation's by-laws call for the Delaware State Housing Authority (DSHA) to pay all administrative costs and perform all administrative functions of the Corporation except independent inspection services, audit and similar independent professional services. The Corporation pays DSHA a management fee for the services provided.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C CASH

At June 30, 2010, the reported amount of the Corporation's deposits held with Wilmington Trust was \$284,571 and the bank balance was \$284,571. All of the balance was collateralized by securities held in the name of the management agent, which is DSHA.

At June 30, 2009, the Corporation's cash and investment balance held with the Office of the State Treasurer amounted to \$233,835. Cash and investments are controlled by the personnel of the Office of the State Treasurer in Dover, Delaware and any investment decisions are made by the Office of the State Treasurer. The funds held by the State of Delaware Investment pool, an internal investment pool, are specifically identified for the Corporation, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware.

NOTE D ACCOUNTS PAYABLE

As of June 30, 2010 and 2009, accounts payable consisted of the following:

	<u>2010</u>	<u>2009</u>
American Home Mortgage***	\$ 103,153	\$ 110,763
Other	<u>6,170</u>	<u>6,500</u>
	<u>\$ 109,323</u>	<u>\$ 117,263</u>

***Second Mortgage Assistance loans paid out by American Home Mortgage but not reimbursed by the Corporation as of June 30, 2010 and 2009. American Home Mortgage is the issuer of the first mortgage. The Corporation is actively pursuing payment of these funds.

NOTE E RELATED PARTY TRANSACTIONS

The Corporation is closely associated with, and related to DSHA.

DSHA was created in 1968 by an act of the General Assembly of the State of Delaware (the "State"). DSHA, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. DSHA was established in 1998 as an independent Authority in the Executive Department,

DELAWARE HOUSING PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E RELATED PARTY TRANSACTIONS (contd.)

reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy.

DSHA is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

The staff of DSHA performs all management and accounting functions for the Corporation. The general ledger and financial statements of the Corporation are maintained and prepared by DSHA. In both 2010 and 2009 the Corporation paid DSHA a management fee of \$60,000. In addition, as of June 30, 2010 and 2009 DSHA owed the Corporation \$0 and \$10,544, respectively.

NOTE F OTHER INCOME

For the year ended June 30, 2009, other income in the amount of \$173,944 consists of an adjustment to decrease the allowance for uncollectible accounts in the amount of \$158,944 and \$15,000 for the reimbursement of prior year management fees paid by the Corporation.

NOTE G GRANT EXPENSE

In August 2008, the Corporation and DSHA entered into an agreement whereby the Corporation transferred and assigned all of its rights, title and interest in \$9,027,062 of its mortgage portfolio. Accordingly, this amount has been shown as grant expense in the 2009 Statements of Activities.

NOTE H SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through September 10, 2010, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

September 10, 2010

To the Board of Directors
Delaware Housing Partnership, Inc.
Wilmington, Delaware

We have audited the financial statements of Delaware Housing Partnership, Inc. (a nonprofit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delaware Housing Partnership, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware Housing Partnership, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Housing Partnership, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

To the Board of Directors
Delaware Housing Partnership, Inc.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, and the Office of Auditor of Accounts; and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company LLP
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